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ABSTRACT

This report examines the consequences of increased student demand for higher education in Colorado, in light of constrained resources for state-supported higher education, and offers strategies to address this demand. The report describes enrollment trends at Colorado colleges and universities, workforce training needs, and trends in state funding of higher education in Colorado. It argues that the state must solve this enrollment/funding dilemma in order to avoid enrollment limits, excessive tuition increases, erosion of educational quality, or damage to graduate education. It then discusses criteria for evaluating strategies that address the increasing demand for higher education. The report recommends that the state implement the following changes at the undergraduate level: (1) institutional productivity enhancements; (2) systemwide productivity measures; (3) flexible personnel, purchasing, contracting, and administrative procedures; (4) revenue enhancement measures; and (5) measures to increase institutional capacity. (MDM)

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COLORADO COMMISSION ON HIGHER EDUCATION

ACCESS TO HIGH-QUALITY, AFFORDABLE EDUCATION FOR ALL COLORADANS

ACCESS TO SUCCESS:

ACCOMMODATING STUDENT ENROLLMENT DEMAND FOR COLORADO HIGHER EDUCATION

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As student demand for higher education increases, Colorado must decide how to accommodate growth, who will pay increased costs, and how colleges can adapt.

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State colleges and universities will improve service to students. In addition, CCHE recommends changes in admission standards, transfer policy, and state funding mechanisms. Tuition increases, state funding increases, greater use of educational technology, and college relief from some central state administration should also be considered.

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ACKNOWLEDGMENT
The Colorado Commission on Higher Education is grateful to Dennis Jones, President, National Center for Education Management Systems, for serving as consultant in the preparation of this report.

SEPTEMBER, 1994

Very soon, Colorado public colleges and universities will be bursting at the seams as a result of population changes, public school reform, and changing workforce needs. In order to continue to provide educational access for all Coloradans, Colorado must decide how to accommodate this demand within limited resources.

Student demand for higher education is growing rapidly in Colorado, and will continue to do so. The children of the baby boom generation—the echo of the baby boom—are now graduating from high school and knocking on the doors of the state's colleges and universities. Further, Colorado continues to experience a large influx of families from other states; families that often have children of high school and college age. In addition, educated adults will continue to turn to higher education for specific job training skills. Growth from these sources could add another 23,000 full-time equivalent (FTE) in-state students by the end of the century. This is the equivalent of adding another Colorado State University and University of Colorado - Colorado Springs to the state higher education system.

And this is just the demand that is likely to appear in the absence of unfolding events that could drive demand still higher. If public school reform is at all successful, higher proportions of students—especially minority students—will graduate from high school and seek admission to the state higher education system. If college and university efforts to improve undergraduate education succeed, retention rates will improve and further expand the ranks of college students. If state institutions expand services to address workforce training and retraining issues, the numbers of students to be served will escalate even more.

While the amount of service expected of state colleges and universities will likely increase at a fairly rapid rate, it will be difficult for financial support to keep pace. Constitutional limits on revenues and expenditures, combined with competing demands for available resources, all but ensure that state funding will not keep pace with enrollment growth. Filling the gap with tuition revenues will require that tuition rates rise to levels considered by many Coloradans to be beyond their means. There are no other sources of funds that can be expected to make up the difference.

These conditions—increasing demands and constrained resources—create a set of problems for which there are no simple solutions. Difficult choices are ahead, choices that will affect not only the institutions of higher education but students and their families, employers, and state government as well. Colorado must decide:

1. What level of ***access and degree of choice*** will Colorado students be provided? Will they be able to attend the institution of their choice or the type of institution they prefer? Or will they be assigned to colleges with available capacity?

2. What means will ensure increased ***institutional productivity and efficiency***?

3. To what extent will ***institutional capacity*** be expanded?

4. How will the various ***instructional activities*** of public higher education—general baccalaureate education, vocational skills training, basic workforce literacy, etc.—be prioritized?

5. To what extent will investments in ***new delivery systems*** (i.e., telecommunicated distance learning and self-paced instruction) be substituted for investments in additional institutional capacity?

6. How much of the ***increased financial burden*** will be borne by students, and how much by the state?

7. In what ways will capacities of ***private institutions*** (for profit and not-for-profit) be utilized under state oversight to respond to increased demand?

No matter the answers arrived at for these and other related questions, the cumulative effect of these decisions will inevitably change the ground rules for all concerned. In the future, higher education "business as usual" will almost surely be quite different from today.

The purpose of this document is to provide a starting point for—not the culmination of—the discussions that will eventually lead to a new package of enrollment policies for Colorado. It attempts to clarify the issues to be addressed by providing information about the size and nature of anticipated increased student demand. It suggests a set of criteria to be employed in judging alternative responses. It identifies a list of measures recommended for implementation, regardless of the broader policy choices finally decided upon, and it provides an outline of some radically different responses to the issue at hand.

This is an ambitious set of objectives. Ambitious as it is, however, there are numerous related policy issues that are not addressed in this report, including the roles of graduate education and research. These topics require further attention after addressing the more immediate challenge of meeting increased demand for undergraduate education in light of anticipated fiscal constraints.

More and more students will seek access to Colorado's public colleges and universities at a time when the state is not as prepared as previously to provide necessary financial support.

COLORADANS VALUE HIGHER EDUCATION.

Colorado is a growing state; the number of its citizens is expected to increase at a rate of at least 1-1/2% annually for the rest of the decade. This will yield a population of almost 4 million by the turn of the century. It is also a state whose citizens are highly educated and whose economy utilizes the skills of this educated citizenry. Colorado ranks first in the nation in the proportion of its adult population having baccalaureate degrees, partly because its telecommunications, biotechnology, aerospace, computing hardware and software, and other high-technology industries attract highly educated employees from beyond the state's borders as well as from within. The fact that the state is blessed with so many well educated citizens masks the reality that large numbers of adults in the state are not well educated. Nearly one out of every six adults has less than a high school education, and among minorities this proportion is considerably higher. With this level of education, individuals are poorly prepared to participate fully in either the economic or the civic life of the state and its communities.

STUDENT DEMAND FOR HIGHER EDUCATION IS LIKELY TO GROW.

Given the best available projections of potential college students and assuming that they continue to enroll in college as they have in recent years, the number of in-state FTE students will increase by at least 22% by the year 2001. *(See Figure 1.)* Several points about this

Figure 1

IN-STATE FTE STUDENT ENROLLMENT

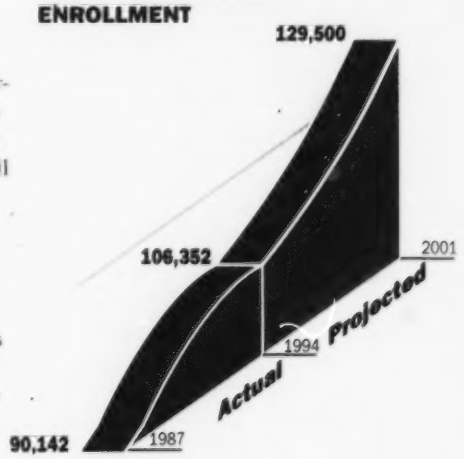


Figure 2

ESTIMATE OF FIRST-TIME IN-STATE FTE FRESHMEN

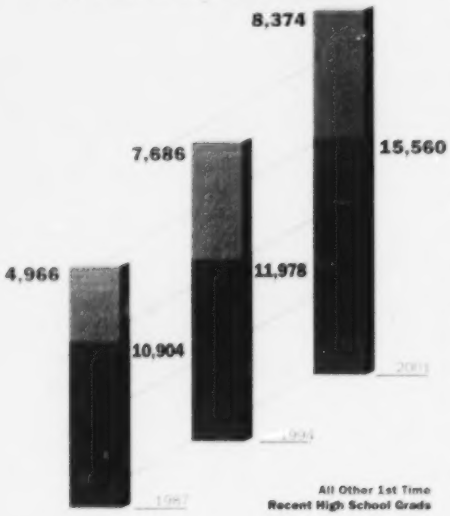
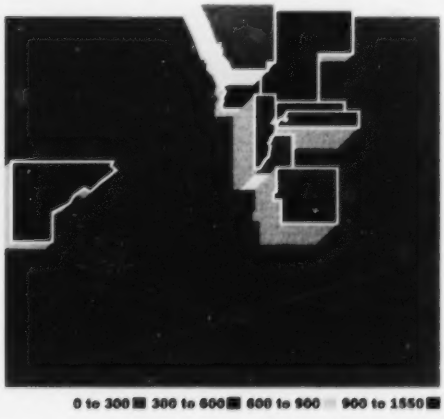


Figure 3

COLORADO HIGH SCHOOL GRADUATES

Projected Change 1993to 2000



basic projection are noteworthy:

1. This projected increase includes in-state resident students only; it does not include any estimates of increased out-of-state enrollment. Although non-residents subsidize the education of Coloradans by paying higher tuition, Colorado colleges and universities serve Coloradans first. (It is interesting to note that although non-residents are 15.8% of FTE enrollment, they contribute 45.7% of total tuition revenue).

2. The largest part of projected enrollment growth will be full-time students who are recent high school graduates. *(See Figure 2.)* The growth in demand from part-time, typically older students will be relatively small. This projection is a result of the fact that, while demand from older students may increase, the number of individuals in this age group will decrease.

3. The majority of projected enrollment growth will be from a handful of front range counties and Mesa County. *(See Figure 3.)* Although several colleges outside the front range could easily accommodate a total of 1,600 additional students, this capacity is insufficient to accommodate projected increased demand.

4. Because of the "traditional" nature of the students who will comprise much of the projected enrollment growth, this increase in demand, in the absence of policy intervention, can be expected to impact four-year institutions more severely than two-year institutions. *(See Figure 4.)* Under current methods of operation, it will be impossible for the existing system of higher education to absorb this many more students.

In addition, it is important to note that this significant amount of growth is projected assuming no change in performance of either the public school or higher education system. It is very likely that these assumptions serve to yield estimates of future enrollment growth that are too low. Consider the following:

1. A serious effort is being made in the state's public schools to improve high school graduation rates, the target being 90% as an overall rate. When the districts with the lowest graduation rates improve to the 70% level, the added demand for spaces in college will be 626 FTE. Increased demand will be 1,404 FTE when a high school graduation rate of at least 80% is achieved in all schools. Improved graduation rates will generate even more demand in the densely populated counties along the front range.

2. A similar effort is underway to reduce the number of college dropouts. If this effort increases retention by 10%, the number of FTE college students retained in public colleges could be increased by as much as 3,000 FTE.

Growth of the magnitude suggested above will occur without any changes in state policy regarding either access to the Colorado higher education system or the array of educational opportunities it provides. Obviously, growth could be reduced through state policy that directly (for example, through enrollment caps) or indirectly (by making higher education very expensive) serves to choke off demand. Such a step would be politically very unpopular and would serve the state badly; as a result, such a solution has not been actively considered.

Indeed, if policy is to be implemented that will affect enrollments in colleges and universities, that policy will much more likely result in increased—not decreased—demand and will respond to the economy's needs for skilled workers. Colorado public colleges and universities are likely to produce, as a result of the projected 22% enrollment increase, as many baccalaureate-level prepared workers as will be needed to fill

available jobs. *(See Figure 5.)* A major gap exists between public and private college certificate and associate degree- level prepared workers and available jobs. This gap will not be closed by encouraging students to shift their aspirations from baccalaureate to associate level programs. Perversely, the tightening job market for four-year college graduates is likely to have the opposite effect. As "good jobs" get harder to find, more and more students will seek credentials enabling them to compete for such jobs. The development of the Lowry Higher Education Center may provide a much needed opportunity to reduce this imbalance at the certificate and associate level. The 1993 Higher Education Issues Survey, conducted by Talmey-Drake Research and Strategy, Inc., underscores the public perception of the important influence of education on job performance. 93% of respondents said that providing students with marketable skills so they can get good jobs when they graduate is very or somewhat important.

The much larger public policy problem is how to encourage high school dropouts and graduates to acquire necessary knowledge and skills to become contributing members of society. This is a question which has not been sufficiently addressed in Colorado, but which is an important consideration in any attempt to develop a comprehensive state enrollment policy.

The educational issues that flow from this key policy decision are numerous and far-reaching. They encompass not only questions about capacity to respond to additional numbers of students, but the creation of learning environments appropriate to different kinds of students. Significant numbers of these students are already being served by private and proprietary schools in the state. *(See Figure 5.)* One option is to devise a set of policies that more formally recognize the role of these institutions in serving the postsecondary education needs of the state and incorporates them more systematically in state enrollment planning and policy initiatives.

In summary, the increases between now and the year 2000 in demand for higher education in Colorado can be expected to be:

- A minimum of 22%—assuming high school graduation and college participation rates don't change.
- As much as 25 to 27% if high school graduation and college retention rates improve modestly.
- Possibly 30% or more if public policy decisions are made that result in more students seeking workplace skill training.

Under any of these scenarios, Colorado is facing a major dilemma as it seeks to respond to new student demands within the limits of available resources.

Figure 4

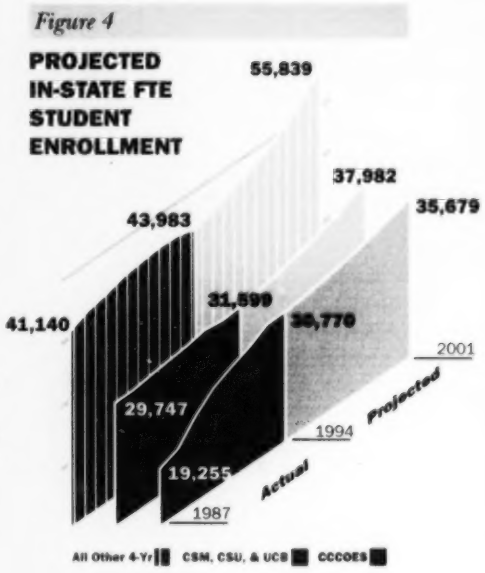


Figure 5

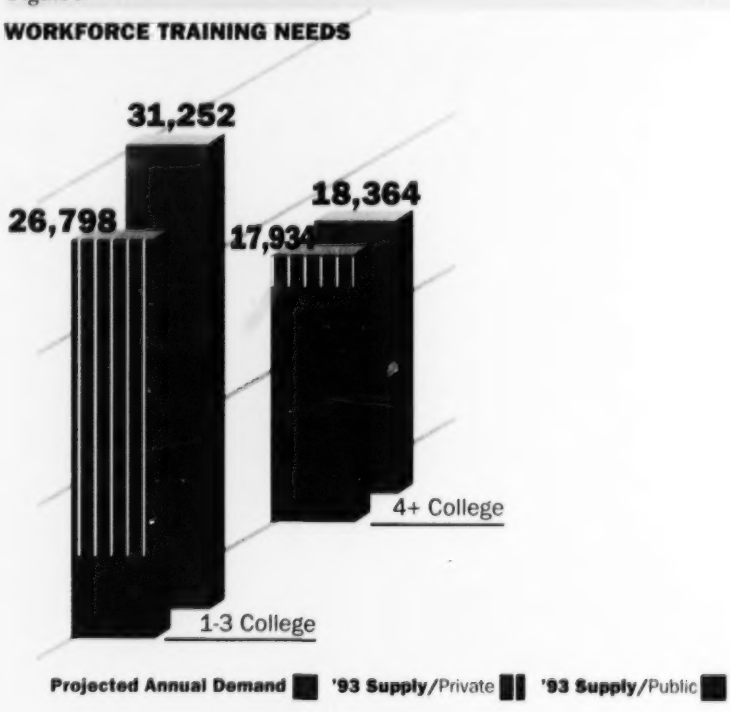


Figure 6

TOTAL GF PLUS TUITION REVENUE/FTE

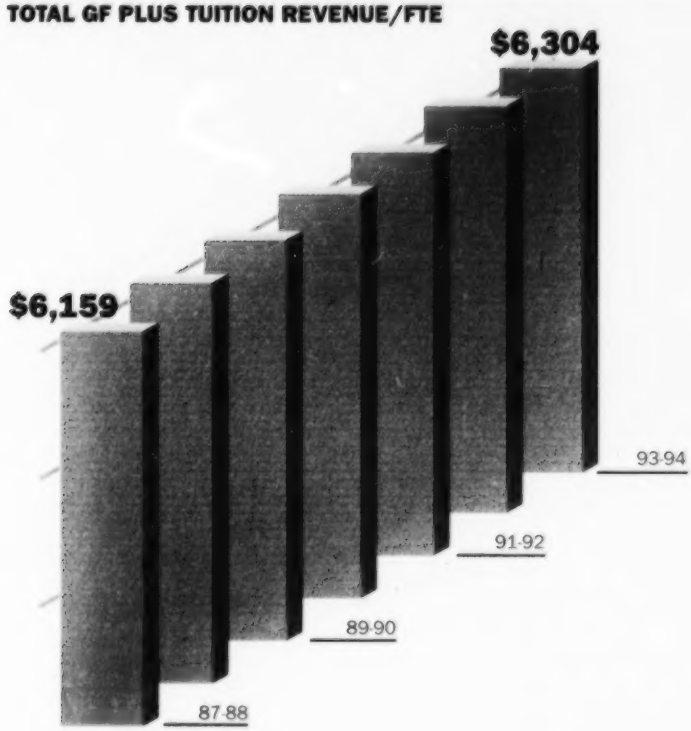
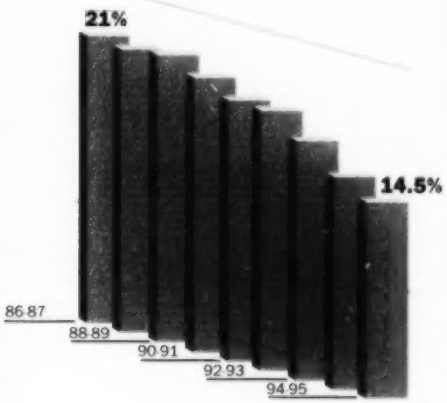


Figure 7

HIGHER EDUCATION % OF COLORADO GENERAL FUND APPROPRIATIONS



ENROLLMENT GROWTH WILL PRESENT A SIGNIFICANT CHALLENGE FOR SUSTAINED STATE FUNDING.

The prospects of enrollment increases, of any size, would not generate prolonged discussion and debate if either the state or the potential students could provide all the resources necessary to expand the educational system to meet these needs. A clear-eyed assessment of fiscal reality, however, suggests that it will be difficult for increases in state financial resources available to higher education to keep pace with increases in enrollments. The following facts reinforce this contention:

- Over the past six years, overall funding on a per student basis (adjusted for inflation) has increased only slightly. *(See Figure 6.)*
- As in most other states, higher education's share of the state budget has declined considerably in recent years. *(See Figure 7.)* There is no evidence that this trend is likely to reverse.
- The student share of higher education funding has increased steadily, while the state's share has been decreasing steadily. *(See Figure 8.)*
- The largest increase in tuition revenues has come from non-resident students. While less than one out of every five students is a non-resident, non-residents provide almost one-half of tuition revenue. (See *Figure 9.)*
- Although tuition increases have generally paralleled increases in disposable income *(See Figure 10.)*, Coloradans fear runaway tuition increases. This phenomenon undoubtedly contributes to conditions that prompted 82% of the respondents in the 1993 Higher Education Issues Survey to agree with the statement that, "Increasing the tuition at the state's four-year colleges and universities will put a college education out of reach for many people who have the ability."
- Perhaps most telling, the projected rate of enrollment growth

exceeds the projected rate of the state's overall growth in population. (See Figure 11.) This is a particularly important relationship since Amendment 1 limits the "real" level of state expenditure increases (expenditures less inflation or cost of living) to the rate of population growth. Thus, the decline in the state share of higher education funding can be stopped only if higher education's share of the state budget goes up rather than down as it has in the past several years. This would represent a major reordering of state priorities.

COLORADO FACES NO EASY ANSWERS IN PAYING FOR ACCESS.

These conflicting pressures—more and more students seeking access to Colorado's public higher education institutions at a time when the state is no longer as well prepared to provide financial support—create a demand for clear policy direction at the state level. In the absence of such policy direction, the colleges and universities may not necessarily establish policies that serve the state's best interest. Experience in other states dealing with the same set of issues (California being a prime example) suggests strongly that the result will be sharply higher tuition rates and enrollment limitations.

In short, the absence of adequate policy direction will most assuredly lead to a public system of higher education that is less affordable and less accessible. Formulating a set of policies that will maintain access at a price Coloradans can pay, however, will force policymakers to make some very difficult decisions; there are no easy answers to the higher education dilemmas facing the state. Consider the options, stated below in their more extreme forms:

1. Deny access to those students whose public college education can't be appropriately funded by the state.

Figure 8

REVENUE SOURCES

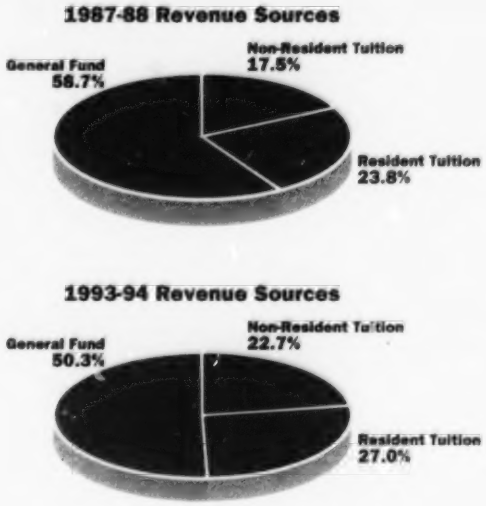


Figure 9

TUITION REVENUE

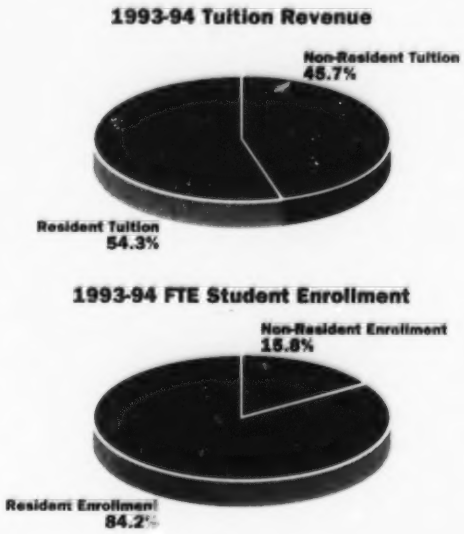
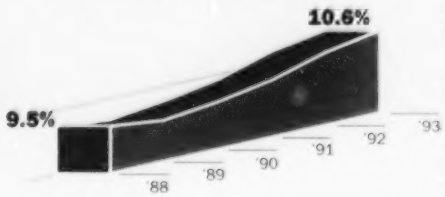


Figure 10

AVERAGE TUITION AS PERCENT OF DISPOSABLE INCOME



2. Require all increased revenue needs of colleges and universities to be met through (eventually, very large) increases in tuition—to, in effect, privatize state colleges and universities.

3. Ensure that state funding keeps pace with enrollment increases—placing higher education at, or very near, the top among state funding priorities—and gaining a steadily increasing share of the state budget for higher education.

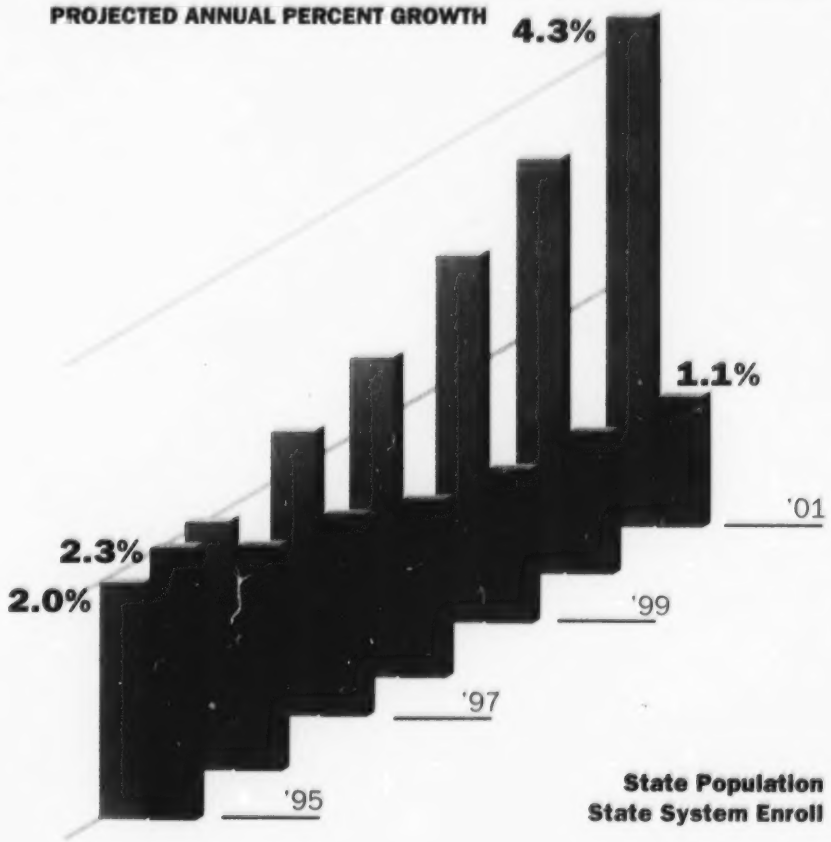
4. Require colleges and universities to accommodate increasing demand within resource constraints—achieve productivity gains comparable to enrollment gains. Although additional capacity is available in a few institutions, it is difficult to imagine serving 25% more students with existing resources without seriously eroding the quality of learning. Students would be served, but to a lesser standard. Society is not better served by students who are badly educated than by students who are not educated at all.

5. Inadvertently restrict the important contributions of graduate education by limiting additional investment to undergraduate education only.

Certainly, none of these choices, taken by itself, represents a strategy that is both educationally sound and politically feasible. The solution undoubtedly lies in a combination of policies that reinforce each other and together meet the needs of students, the state, and the higher education institutions that serve them.

Figure 11

PROJECTED ANNUAL PERCENT GROWTH



Access to affordable college education must be maintained for all Coloradans.

The following criteria are suggested to judge the adequacy of proposed solutions. To the extent that they further the basic values reflected in these criteria, the policy options should be viewed favorably; to the extent they do not, they should be rejected. Thus, policies that should be judged positively are those that:

- Contribute to accommodating student demand, not limiting demand. Solutions that deny access are unacceptable. Affordability of a college education must be maintained.
- Rely on incentives and normal market mechanisms rather than regulations and constraints, to the extent possible. An objective of the policy structure should be to create an environment in which students and institutions freely make choices that reflect their enlightened self-interest, and accomplish the broader purposes of state higher education policy.
- Reinforce, not thwart, public school reform initiatives. For example, with the emergence of standards and performance-based secondary education, colleges and universities must devise approaches to admission that award advanced standing on the basis of demonstrated competency, not just courses taken and test scores attained.
- Encourage cooperation among institutions and sectors to serve student needs. Recognize appropriate learning acquired elsewhere and value ease of articulation.
- Engage a broader set of providers in the delivery and financing of higher education. Particularly, policies should be welcomed that encourage employers, the private sector, and private colleges and universities to make cost-effective contributions to the broader objectives being pursued—more individuals achieving higher levels of knowledge and skills at an affordable cost.
- Break the mold—policies should encourage innovations in the delivery of services, not reward the status quo.
- Recognize the authority of the governing boards and institutional needs for predictability, reinforcement of missions, and maintenance of institutional assets. Accommodation of growth should not be accomplished through "unfunding" the maintenance of assets (not replacing equipment, repairing buildings, or tending to the professional development needs of the human assets of the institution) or through ignoring the other assigned components of an institution's mission.
- Provide for recognition of state, as well as individual student, requirements and priorities. Policies

should, for example, accommodate the state's priority for improved postsecondary training for those high school dropouts and graduates who don't further their education.

SOME OPERATING ASSUMPTIONS

In searching for solutions that fit these criteria, some basic assumptions about access, affordability, and funding mechanisms are made. These assumptions include:

1. Attempts should be made to accommodate growth in numbers of qualified students within the sector of student choice, but not necessarily at the institution of first choice. Every effort should be made, for example, to allow students seeking a research university educational experience to enroll in one; however, there is no guarantee that they will be admitted to the University of Colorado at Boulder.

2. Desirable policies would encourage students to choose community colleges (with transfer to a four-year college, if desired) and four-year institutions that have available capacity. These institutions will be able to accommodate additional students at the least cost. The least attractive policies are those that encourage students to seek access to high-cost institutions that are already bursting at the seams.

3. It is reasonable to place an upper limit on the amount of state subsidized undergraduate education for Colorado residents, so long as this limit is sufficient to meet the minimum requirements for a baccalaureate degree and to provide some leeway for exploration and changes of majors.

4. Affordability is not endangered if students who can afford to pay more do so (or are subsidized to a lesser extent than students who are economically disadvantaged). Given limited resources, state money will be used first to remove economic barriers for students who have the least ability to pay.

5. Student demand generated by a specific state priority—i.e., adult literacy, workforce training/retraining, training done as a result of a state economic development/job creation initiative, etc.—will be funded as an explicit policy initiative through the existing SB 93-136 mechanism. The General Assembly should consider changing statute to separate such specific funding priorities from natural enrollment growth caused by student demand.

Colleges can, and will, take steps to ensure that more students are served.

The response to the dilemma of how best to respond to increased enrollment will almost surely be multi-faceted; there is no evidence that any of the extreme solutions described earlier could find either the economic or political support necessary for implementation. Given the best estimated enrollment projections, and the criteria for desirable solutions, a set of recommendations is presented that, taken together, represent a new enrollment policy for Colorado. At best these are short-term solutions. They address the question of how to accommodate demand between now and the turn of the century within existing institutional capacity. The growth that will occur after that time will likely require expanded capacity—of either institutions or an alternative delivery mechanism. The lead time for the discussion, review, and implementation of such decisions is sufficiently long that the process should begin immediately with the expectation that the broad outline of a solution be known by the end of 1995.

The recommendations presented fall into several major categories:

- Institutional productivity enhancements
- Systemwide productivity enhancements
- State-level actions required to create a new decisionmaking environment for postsecondary education
- Revenue measures
- Initial steps toward developing additional capacity.

The recommendations are described briefly below. More detailed information is contained in the Colorado Commission on Higher Education September 1, 1994 memorandum to the Legislative Higher Education Planning Committee.

1. Institutional Productivity Enhancements. By unilateral action, individual institutions can, and will, take steps to ensure that more students are served, and served expeditiously, with available resources. This will be accomplished through such steps as:

- Changing the deployment of faculty. In addition, improving the deployment of administrators and staff.
- Reviewing curricula and eliminating programs for which there is low demand.
- Increasing course availability during non-peak hours and time periods, thus making greater use of instructional facilities.
- Establishing guaranteed time-to-degree programs so that all full-time students who make satisfactory academic progress can be assured of graduating within a pre-established time period.

2. Systemwide Productivity Measures. While institutions acting alone can make a difference, greater productivity gains can be made through actions that affect

the entire state higher education system. To some extent, these productivity gains can be accomplished through policy actions that eliminate inefficiencies between institutions and sectors. To a greater extent, they can be accomplished by ensuring that incentives are in place to move students through the system in a timely fashion and that the state's fiscal resources are utilized so that the most cost-effective use is made of available educational resources. Among the recommendations proposed within this category are:

- Limit state undergraduate subsidy at four-year colleges to the number of credit hours required for degree completion, plus 15 credit hours, as an incentive for institutions to improve curricular structures and advising and for students to more carefully plan course selection.
- Eliminate state financial support for two-year college courses that are primarily avocational in nature, not academic or vocational.
- Fine-tune freshman admission standards to ensure that the standard is appropriate for each institution. The objective is to ensure that the standards are set in such a way that students are directed to institutions where they have the greatest chance to succeed and where available capacity exists.
- Pay high school student Advance Placement test fees as a way of reducing need for some college courses.
- Expand the guaranteed transfer program to students who initially enroll in non-public institutions and subsequently transfer to public colleges.
- Eliminate state funding for remedial courses for recent Colorado high school graduates as soon as public school reforms have progressed to the point that high school graduation certifies that the student is academically prepared for postsecondary education.

As a last resort, use state funds to contract for enrollment slots at rates significantly below current average rates in Colorado state colleges and universities. These contracts could be with:

- Colorado public institutions that have additional capacity and can afford to expand enrollments at marginal revenue rates that are considerably lower than average revenue rates
- Colorado local district colleges
- Colorado non-public institutions
- Out-of-state institutions.

3. State-Level Action Required to Create a More Supportive Environment. Some state laws require colleges to operate in ways that severely limit their ability to operate efficiently. As part of the bargain by which institutions pledge to increase their productivity—and in the spirit of "reinventing government"—it is recommended that state government's relationship to higher education be reviewed and altered in ways that would give the institutions more flexibility in achieving cost-effective ways of performing their functions. Special attention should be given to:

- Ties to the state personnel system
- Purchasing and contracting procedures
- Central state administrative procedures

4. Revenue Measures. In the final analysis, even with increased institutional and systemwide productivity, accommodation of increased numbers of resident students cannot be accomplished without either an increase in funding or a substantial reduction in student choice. There are several alternatives to addressing the revenue issue, some of which could be used in combination. The major options are:

- Assuring that student tuition will increase at the rate of inflation and that the general fund support of the system will increase at the rate of inflation and enrollment growth, minus cost savings achieved by system efficiencies. Used in combination with other approaches, the objective should be that general fund support increase at the rate of inflation plus population growth (i.e., that higher education's share of the state budget remain constant).
- Increasing tuition rates to the point that students pay 50% of the actual cost of their higher education, a step that would require a guaranteed need-based financial aid program for needy students.
- Provide a per student limited state subsidy that would entitle every student to a predetermined amount of funding transferable to any higher education institution operating in the state.

As a last resort, the state could assign students to colleges based upon student program selection and institutional cost.

5. Measures to Increase Capacity. It is too early in the planning and discussion process to suggest priorities for expansion of institutional capacity. Recent changes in technology, however, have made it possible to improve the educational process and simultaneously reduce the cost of education. The state, in conjunction with the institutions, should begin the process of planning for and implementing the investments in educational technology needed to achieve significant long-term cost savings and educational quality improvements.

The recommendations and options presented in this report are unfinished in some ways.

They pertain to undergraduate education only; policies dealing with graduate and professional education have not been addressed. The recommendations look forward only half a dozen years; longer range issues, and their (potentially very different) solutions have largely been unexamined. Finally, those areas in which the state may wish to encourage enrollments—of particular kinds of students or into particular kinds of programs—have not been discussed. With these shortcomings in mind, two final recommendations are offered:

1. That the enrollment policy discussion be extended until the end of 1995 at which time the Colorado Commission on Higher Education, working with the Legislative Higher Education Planning Committee, should recommend enrollment policies that extend farther into the future, deal with graduate and professional education, and expressly state the guidelines that will shape the future expansion, if any, of the public higher education system.

2. That explicit state priorities be addressed through the existing SB 93-136 mechanism, and that funding for normal enrollment growth will be funded through a separate mechanism.

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